

Electric Industry Restructuring in Rhode Island

Updated 11/29/01

Rhode Island implemented full electric competition on January 1, 1998 pursuant to the Rhode Island Utility Restructuring Act of 1996 (H-8124 Substitute B3) and a series of Orders from the Rhode Island Public Utilities Commission (“RI PUC”).

Customer choice: Under the restructuring legislation, customer choice of generation supplier was to be phased-in from July 1, 1997 to July 31, 1998. The RI PUC accelerated the schedule, making choice available to all customers on January 1, 1998.

Standard Offer: A Standard Offer rate is available from the distribution company through 2009 for customers who have not chosen a competitive power supplier. The Standard Offer price for Narragansett Electric for December 2001 is 5.5 ¢/kWh.

Updated Standard Offer prices are posted regularly on the Web site of the Rhode Island Public Utility Commission: <http://www.ripuc.org/energy/sched.html>

Last Resort Service: Last Resort Service is available from the distribution company for customers who have switched to a competitive supplier and then return to utility service. For residential customers, Last Resort Service is priced at the Standard Offer price. For non-residential customers, it is priced at the market price. The current price schedule for Narragansett Electric’s non-residential customers is as follows:

Last Resort Service Prices

Month	Price (¢/kWh)
Dec. 2001	5.7
Jan. 2002	5.7
Feb. 2002	5.7
Mar. 2002	5.1
Apr. 2002	5.2
May 2002	5.2
June 2002	6.4
July 2002	7.5
Aug. 2002	7.5

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Savings: The RI restructuring legislation does not mandate a specific level of savings. However, electric rates were initially reduced as a result of restructuring.

Stranded costs: Utilities may recover stranded costs through a transition charge. The charge started at 2.8 ¢/kWh and is declining over time. The sunk costs of generating plants and regulatory assets are to be recovered over 12.5 years; the above-market costs of power contracts and nuclear decommissioning costs are to be recovered over the life of those obligations.

Billing and metering: Rhode Island has two billing options: 1) separate bills from the utility and the competitive supplier; or 2) a combined bill from the utility. The state does not allow a combined bill from the supplier. Metering is not competitive; only the utility may provide metering services.

Energy efficiency and renewable energy: The Rhode Island Utility Restructuring Act of 1996 established funding for energy efficiency and renewable energy at 0.23 cents/kWh for five years starting in 1997. In 2001, the Rhode Island Legislature enacted Chapter 142 of 2001 Rhode Island Public Laws, which extended the funding for an additional five years – through 2006.

Switching Statistics: As of September 2001 2,282 customers were being served by competitive suppliers. This represents 0.5% of customers. The Rhode Island Division of Public Utilities and Carriers reports publishes updated customer switching statistics on its Web site at: <http://www.ripuc.org/energy/index.html>

Mergers: Since December 1998, three mergers have been announced involving Rhode Island electric utilities.

National Grid Group, PLC, the United Kingdom's electric transmission company, acquired New England Electric System, parent company of Massachusetts Electric Company, Narragansett Electric Company (RI), and Granite State Electric Company (NH). As a result of the transaction, New England Electric System was renamed National Grid USA. The merger was announced on December 14, 1998, and closed on March 22, 2000. The final sale price was \$3.2 billion.

National Grid USA (formerly New England Electric System) acquired Eastern Utilities Associates, parent company of Eastern Edison Company (MA), Blackstone Valley Electric Company (RI), and Newport Electric Corporation (RI). As a result of the transaction, Eastern Utilities Associates' local electric companies merged into those of National Grid USA: Eastern Edison merged into Massachusetts Electric and Blackstone Valley Electric Company and Newport Electric Company merged into Narragansett Electric. The transaction was announced on February 1, 1999 and closed on April 19, 2000. The final sale price was \$642 million. The combined companies serve 1.2 million customers in Massachusetts and 560,000 customers in Rhode Island.

National Grid USA, parent of Massachusetts Electric (MA), Narragansett Electric (RI), and Granite State Electric (NH) has announced plans to acquire Niagara Mohawk (NY). Niagara Mohawk will continue to operate under its current name. The transaction was announced on September 5, 2000. The sale price will be approximately \$3 billion. The combined company will have approximately 3.3 million electricity customers and 540,000 natural gas customers.

Rhode Island Electric Utilities

Utility	No. of Customers	Web Site
Narragansett Electric	463,000	http://www.narragansett.com/
Pascoag Fire District	4,100	
Block Island Power Company	1,500	

More Information

For more information, please contact:

Rhode Island Public Utilities Commission

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P: 401-941-4500

Web site: <http://www.ripuc.org/>

The Web site contains a consumer guide to restructuring, a list of registered power suppliers, standard offer and last resort service pricing, data regarding the number of customers that have switched to a competitive supplier, the electric restructuring Act, a summary of the Act, and the RI PUC's rules and orders regarding restructuring.